



Enghouse Releases Fourth Quarter Results, completing another record year

FOR IMMEDIATE RELEASE

Markham, Ontario – (December 18, 2014) – Enghouse Systems Limited (TSX:ESL) today announced its fourth quarter (unaudited) and year-end financial results for the period ended October 31, 2014.

Revenue increased by 22% to \$220.0 million for the fiscal year, compared to revenue of \$179.9 million in the previous fiscal year, resulting in another record year for the Company. Income from operating activities was \$52.1 million compared to \$40.7 million last year, an increase of 28%. Net income for the fiscal year was \$29.7 million or \$1.11 per diluted share compared to \$24.3 million or \$0.92 per diluted share in the prior year. Adjusted EBITDA for the fiscal year was \$56.0 million or \$2.09 per diluted share compared to \$44.9 million or \$1.69 per diluted share last year, an increase of 24%.

Revenue for the fourth quarter was \$62.1 million, an increase of 32% over last year's fourth quarter revenue of \$47.2 million. Income from operating activities for the quarter was \$14.6 million compared to \$12.0 million last year, an increase of 22%. Net income for the quarter was \$9.7 million or \$0.36 per diluted share compared to \$9.7 million or \$0.36 per diluted share last year. Adjusted EBITDA for the quarter was \$15.6 million or \$0.58 per diluted share compared to \$12.4 million or \$0.46 per diluted share last year, an increase of 25%.

Increased revenue in the quarter reflects incremental revenue from acquisitions, including Voxtron NV, acquired October 3, 2014, Jinny Software Limited, acquired August 5, 2014 and the favourable impact of foreign exchange. Revenue includes license revenue of \$19.1 million, an increase of 27% over last year and \$32.2 million from hosted and maintenance services, an increase of 33%. For the fiscal year, license revenue was \$71.9 million compared to \$58.9 million, while hosted and maintenance services revenue grew by 25% to \$115.0 million.

Operating expenses increased to \$28.3 million for the quarter and \$102.6 million for the fiscal year compared to \$21.5 million and \$88.1 million respectively last year as a result of the incremental cost of acquired operations and the negative impact of foreign exchange. This also includes research and development costs of \$10.7 million for the quarter and \$37.7 million for the year, reflecting the Company's continued investment in product development. Foreign exchange continues to impact both the revenue and operating expenses denominated in currencies other than the Canadian dollar. Non-cash amortization charges for the year were \$17.6 million compared to \$15.6 million in the prior fiscal year and relate to incremental amortization charges for acquired software and customer relationship intangibles recorded on the current year's acquisitions.

The Company closed the year with \$84.9 million in cash, cash equivalents and short-term investments, after the payment of approximately \$45.0 million related to acquisitions and \$9.4 million to dividends. The Company generated cash flows from operating activities of \$47.6 million in the year compared to \$32.4 million in 2013, an increase of 47%.

Enghouse completed five acquisitions during the fiscal year, expanded the scale and product portfolio of its Asset Management Group, entered new geographic regions and strengthened its presence in key markets. The Company generated strong cash flows and has a healthy balance sheet with no debt. Enghouse remains committed to seeking accretive acquisitions to continue to grow its market share and increase shareholder value.

The Board of Directors has approved an eligible quarterly dividend of \$0.10 per common share, payable on February 27, 2015 to shareholders of record at the close of business on February 13, 2015.

A conference call to discuss the results will be held on Friday, December 19, 2014 at 8:45 a.m. EST. To participate, please call 416-640-5947 or North American Toll-Free 1-866-233-4606. No PIN required.

About Enhouse

Enhouse Systems Limited is a leading global provider of enterprise software solutions serving a variety of distinct vertical markets. Its strategy is to build a larger and more diverse software company through strategic acquisitions and profitable growth. Enhouse shares are listed on the Toronto Stock Exchange under the symbol "ESL". Further information about Enhouse may be obtained from the Company's web site at www.enhouse.com.

Non-GAAP Measures

The Company uses non-GAAP measures to assess its operating performance. Securities regulations require that companies caution readers that earnings and other measures adjusted to a basis other than GAAP do not have standardized meanings and are unlikely to be comparable to similar measures used by other companies. Accordingly, they should not be considered in isolation. The Company uses Adjusted EBITDA as a measure of operating performance. Therefore, Adjusted EBITDA may not be comparable to similar measures presented by other issuers. Adjusted EBITDA is calculated as income before income taxes adjusted for depreciation of property, plant and equipment, amortization of acquired software and customer relationships, finance income, finance expenses, other income, and special charges for acquisition related restructuring costs. Management uses Adjusted EBITDA to evaluate operating performance as it excludes amortization of software and intangibles (which is an accounting allocation of the cost of software and intangible assets arising on acquisition), any impact of finance and tax related activities, asset depreciation, other income and restructuring costs primarily related to acquisitions.

Adjusted EBITDA:

The table below reconciles Adjusted EBITDA to income before income taxes:

	Three Months ended		Year ended	
	October 31, 2014	October 31, 2013	October 31, 2014	October 31, 2013
Total Revenue	\$ 62,056	\$ 47,171	\$ 219,987	\$ 179,886
Income before income taxes	\$ 9,371	\$ 8,441	\$ 34,624	\$ 27,047
Depreciation of property, plant and equipment	643	440	2,315	1,743
Amortization of acquired software and customer relationships	5,195	4,083	17,609	15,568
Finance income	(106)	(124)	(492)	(641)
Finance expenses	178	55	410	313
Other income	(44)	(466)	(87)	(1,582)
Special charges	360	-	1,616	2,491
Adjusted EBITDA	\$ 15,597	\$ 12,429	\$ 55,995	\$ 44,939
Adjusted EBITDA margin	25%	26%	25%	25%
Adjusted EBITDA per diluted share	\$ 0.58	\$ 0.46	\$ 2.09	\$ 1.69

Enhouse Systems Limited

Consolidated Statements of Financial Position

(in thousands of Canadian dollars)

	October 31, 2014	October 31, 2013
Assets		
Current assets:		
Cash and cash equivalents	\$ 72,780	\$ 70,109
Short-term investments	12,084	20,188
Accounts receivable, net	54,341	36,444
Prepaid expenses and other assets	7,571	5,839
	146,776	132,580
Non-current assets:		
Property, plant and equipment	4,020	3,599
Intangible assets	166,548	132,358
Deferred income tax assets	10,427	9,419
	180,995	175,376
Total assets	\$ 327,771	\$ 277,956
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 41,297	\$ 32,659
Income taxes payable	2,644	1,555
Dividends payable	2,616	2,083
Accrued provisions	3,407	3,427
Deferred revenue	47,745	39,325
	97,709	79,049
Non-current liabilities:		
Deferred income tax liabilities	19,930	14,482
Deferred revenue	1,877	1,797
	21,807	16,279
Total liabilities	119,516	95,328
Shareholders' Equity		
Share capital	59,746	58,514
Contributed surplus	3,782	3,175
Retained earnings	135,554	115,800
Accumulated other comprehensive income	9,173	5,139
Total equity	208,255	182,628
Total liabilities and equity	\$ 327,771	\$ 277,956

Enghouse Systems Limited

Consolidated Interim Statements of Operations and Comprehensive Income

(in thousands of Canadian dollars, except per share amounts)

	(Unaudited) Three months ended 2014	(Unaudited) October 31 2013	Year ended October 31	
			2014	2013
Revenue				
Software licenses	\$ 19,119	\$ 15,010	\$ 71,926	\$ 58,887
Hosted and maintenance services	32,221	24,262	115,004	91,762
Professional services	8,859	6,350	26,708	23,931
Hardware	1,857	1,549	6,349	5,306
	62,056	47,171	219,987	179,886
Direct costs				
Software licenses	1,454	1,145	5,480	4,336
Services	16,379	11,471	55,543	43,190
Hardware	1,346	1,054	4,281	3,592
	19,179	13,670	65,304	51,118
Revenue, net of direct costs	42,877	33,501	154,683	128,768
Operating expenses				
Selling, general and administrative	16,573	13,145	60,965	53,366
Research and development	10,707	7,927	37,723	30,463
Depreciation of property, plant and equipment	643	440	2,315	1,743
Special charges	360	-	1,616	2,491
	28,283	21,512	102,619	88,063
Results from operating activities	14,594	11,989	52,064	40,705
Amortization of acquired software and customer relationships	(5,195)	(4,083)	(17,609)	(15,568)
Finance income	106	124	492	641
Finance expenses	(178)	(55)	(410)	(313)
Other income	44	466	87	1,582
Income before income taxes	9,371	8,441	34,624	27,047
(Recovery of) provision for income taxes				
Current income tax expense	2,844	2,373	6,110	4,519
Deferred income tax recovery	(3,212)	(3,644)	(1,170)	(1,819)
	(368)	(1,271)	4,940	2,700
Net income for the period	\$ 9,739	\$ 9,712	\$ 29,684	\$ 24,347
Items that are or may be reclassified subsequently to profit or loss:				
Foreign currency translation (loss) gain from foreign operations	(1,925)	5,354	4,220	5,575
Transfer to net income of realized gains on available for sale investments	(18)	(668)	(74)	(2,869)
Unrealized (loss) gain on available for sale investments	(84)	126	(147)	2,393
Deferred income tax recovery	20	78	35	69
Other comprehensive (loss) income	(2,007)	4,890	4,034	5,168
Comprehensive income	\$ 7,732	\$ 14,602	\$ 33,718	\$ 29,515
Earnings per share				
Basic	\$0.37	\$0.37	\$1.14	\$0.94
Diluted	\$0.36	\$0.36	\$1.11	\$0.92

Enghouse Systems Limited

Consolidated Statements of Changes in Equity

(in thousands of Canadian dollars)

	Share Capital -number	Share capital \$	Contributed surplus \$	Accumulated other comprehensive income (loss) \$	Retained earnings \$	Total \$
Balance – November 1, 2013	26,042,962	58,514	3,175	5,139	115,800	182,628
Net income	-	-	-	-	29,684	29,684
Other Comprehensive Income (net of tax):						
Cumulative Translation Adjustment	-	-	-	4,220	-	4,220
Transfer to net income of realized gains on available-for-sale investments	-	-	-	(74)	-	(74)
Unrealized loss on available-for-sale investments	-	-	-	(147)	-	(147)
Deferred income tax recovery	-	-	-	35	-	35
Comprehensive income for the year	-	-	-	4,034	29,684	33,718
Employee share options:						
Value of services recognized	-	-	877	-	-	877
Proceeds on issuing shares	121,000	1,232	(270)	-	-	962
Dividends	-	-	-	-	(9,930)	(9,930)
Balance – October 31, 2014	26,163,962	59,746	3,782	9,173	135,554	208,255
Balance – November 1, 2012	25,780,562	55,751	2,847	(29)	99,371	157,940
Net income	-	-	-	-	24,347	24,347
Other Comprehensive Income (net of tax):						
Cumulative Translation Adjustment	-	-	-	5,575	-	5,575
Transfer to net income of realized gains on available-for-sale investments	-	-	-	(2,869)	-	(2,869)
Unrealized gain on available-for-sale investments	-	-	-	2,393	-	2,393
Deferred income tax recovery	-	-	-	69	-	69
Comprehensive income for the year	-	-	-	5,168	24,347	29,515
Employee share options:						
Value of services recognized	-	-	1,016	-	-	1,016
Proceeds on issuing shares	262,400	2,763	(688)	-	-	2,075
Dividends	-	-	-	-	(7,918)	(7,918)
Balance – October 31, 2013	26,042,962	58,514	3,175	5,139	115,800	182,628

Enghouse Systems Limited
Consolidated Interim Statements of Cash Flows
(in thousands of Canadian dollars)

	<i>(Unaudited) (Unaudited)</i>			
	Three months ended		Year ended	
	October 31		October 31	
	2014	2013	2014	2013
Cash flows from operating activities				
Net income	\$ 9,739	\$ 9,712	\$ 29,684	\$ 24,347
Adjustments for:				
Depreciation of property, plant and equipment	643	440	2,315	1,743
Amortization of acquired software and customer relationships	5,195	4,083	17,609	15,568
Stock-based compensation expense	201	312	877	1,016
Income tax (recovery) expense	(368)	(1,271)	4,940	2,700
Finance expenses	178	55	410	313
Other income	(44)	(466)	(87)	(1,582)
	15,544	12,865	55,748	44,105
Changes in non-cash operating working capital	(7,399)	(10,020)	(2,539)	(7,545)
Income tax paid	(1,251)	(693)	(5,568)	(4,203)
Net cash flows from operating activities	6,894	2,152	47,641	32,357
Cash flows from investing activities				
Purchase of property, plant and equipment	(11)	(238)	(1,324)	(1,403)
Acquisitions, net of cash acquired of \$4,361 (2013 - \$6,004)	(22,466)	(5,221)	(40,287)	(22,433)
Purchase consideration for prior period acquisitions	(1,016)	-	(4,725)	(2,593)
Net proceeds from sale of short-term investments	7,138	14,006	8,429	7,948
Net cash flows (used in) from investing activities	(16,355)	8,547	(37,907)	(18,481)
Cash flows from financing activities				
Issuance of share capital	144	491	962	2,075
Payment of cash dividend	(2,614)	(2,079)	(9,397)	(7,511)
Net cash flows used in financing activities	(2,470)	(1,588)	(8,435)	(5,436)
Effect of currency translation adjustments on cash and cash equivalents	(620)	2,206	1,372	2,125
Net (decrease) increase in cash and cash equivalents during the period	(12,551)	11,317	2,671	10,565
Cash and cash equivalents - beginning of period	85,331	58,792	70,109	59,544
Cash and cash equivalents - end of period	\$ 72,780	\$ 70,109	\$ 72,780	\$ 70,109

Enghouse Systems Limited
Selected Segment Reporting Information
(in thousands of Canadian dollars)
(Unaudited)

	For the three months ended October 31		For the year ended October 31	
	2014	2013	2014	2013
Revenue:				
Asset Management Group	\$ 19,457	\$ 10,332	\$ 51,094	\$ 33,804
Interactive Management Group	42,599	36,839	168,893	146,082
Total	\$ 62,056	\$ 47,171	\$ 219,987	\$ 179,886
Segment Profit				
Asset Management Group	\$ 3,971	\$ 2,794	\$ 11,427	\$ 7,365
Interactive Management Group	12,106	10,377	46,286	37,688
Corporate expenses	(1,483)	(1,182)	(5,649)	(4,348)
Amortization of acquired software and customer relationships	(5,195)	(4,083)	(17,609)	(15,568)
Finance income	106	124	492	641
Finance expenses	(178)	(55)	(410)	(313)
Other income	44	466	87	1,582
Total	\$ 9,371	\$ 8,441	\$ 34,624	\$ 27,047

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